

DIRECT TESTIMONY
OF
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POLICY DIVISION
ILLINOIS COMMERCE COMMISSION

VERIFIED PETITION FOR APPROVAL OF ITS ENERGY EFFICIENCY PLAN PURSUANT TO SECTION 8-
408 OF THE PUBLIC UTILITIES ACT.

REQUEST FOR WAIVER OF 83 ILL. ADMIN. CODE SECTIONS 410.210(A)(3)(E) AND
500.330(A)(1)(B)(v).

MIDAMERICAN ENERGY COMPANY

ICC DOCKET NOS. 13-0423/13-0424 (CONSOL.)

SEPTEMBER 5, 2013

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1 **I. INTRODUCTION**

2 **A. WITNESS QUALIFICATIONS**

3 **Q. Please state your name, business address, and job title.**

4 A. My name is Jennifer L. Hinman. I work for the Illinois Commerce Commission,
5 527 East Capitol Avenue, Springfield, Illinois 62701. I am employed as an
6 Economic Analyst in the Policy Division in the Public Utilities Bureau at the Illinois
7 Commerce Commission ("ICC" or "Commission").

8 **Q. What are your responsibilities within the Commission's Policy Division?**

9 A. I monitor, review, and analyze utility and party filings in docketed Commission
10 cases. I identify and initiate discovery to support research into economic policy
11 issues. I prepare and file testimony setting forth opinions and positions on those
12 issues and make recommendations, as appropriate. I participate in ICC Policy
13 Committee Meetings when requested. I have served as case manager in
14 numerous Commission cases.

15 My work with the Commission has primarily focused on energy efficiency
16 ("EE") and plug-in electric vehicles. I have participated in a number of docketed
17 proceedings concerning these issues, including ICC Docket Nos. 10-0519, 10-
18 0520, 10-0527, 10-0537, 10-0562, 10-0564, 10-0568, 10-0570, 11-0341, 11-0592,
19 11-0593, 11-0646, 11-0687, 11-0689, 12-0132, 12-0212, 12-0509, 12-0510, 12-
20 0528, 12-0544, 12-0645, 13-0077, 13-0078, and 13-0437. I monitor and review the
21 independent evaluation process for the energy efficiency programs. I participate in
22 the Illinois EE Stakeholder Advisory Group ("SAG"). I participated in the

development of the first edition of the Illinois Statewide Technical Reference Manual for Energy Efficiency ("IL-TRM") and continue to actively participate in the annual IL-TRM update process through the SAG's Technical Advisory Committee ("TAC"). I have been involved with hosting workshops at the ICC concerning EE cost-effectiveness analysis and the Illinois Power Agency ("IPA") procurement of energy efficiency. I participated in the ICC's Initiative on Plug-in Electric Vehicles and continue to attend the Illinois Electric Vehicle Advisory Council meetings.

Q. Please describe your educational background.

A. In May of 2010, I graduated from Illinois State University with a Master of Science degree in Applied Economics with a specialization in the Electricity, Natural Gas, and Telecommunications Economics Regulatory sequence. In May of 2008, I earned a Bachelor of Arts degree in Economics with a Financial Certificate and graduated summa cum laude from the University Honors Program at Armstrong Atlantic State University in Savannah, Georgia.

Q. Please describe your professional experience prior to your employment at the ICC.

A. Prior to joining the Commission Staff ("Staff") in April of 2010, I worked as a Graduate Assistant in the Applied Economics Department at Illinois State University. I was an intern in the Regulatory Department at AT&T Illinois in Chicago during the summer of 2009. During my time at AT&T, I analyzed, compiled, graphed, and provided detailed recommendations on AT&T Illinois' Alternative Regulation Plan on individual service margins. In addition, I reviewed the tariffing process and assisted in the filing of wholesale tariffs.

B. SUBJECT MATTER

Q. What is the subject matter of this proceeding?

A. This case concerns the filing by MidAmerican Energy Company (“MEC” or “MidAmerican” or “Company”) of a Plan (MEC Ex. 1.0¹) (as well as supporting testimony and other exhibits) to implement EE programs, pursuant to Section 8-408 of the Illinois Public Utilities Act (“Act”). 220 ILCS 5/8-408. This is the Company’s second five-year EE Plan filing and runs from January 1, 2014 through December 31, 2018. I recommend the Commission approve MidAmerican’s 2014-2018 EE Plan subject to certain provisions as discussed herein.

The Company also filed a “waiver of 83 Ill. Admin. Code Sections 410.210(a)(3)(E) and 500.330(a)(1)(B)(v) to continue to allow MidAmerican’s energy efficiency rider amounts to be added to the delivery charge on customer bills, rather than having the rider amounts appear as separate line items.” (MEC Petition, at 1.) I recommend the Commission deny MidAmerican’s waiver request.

¹ Please note that MEC Ex. 1.0 contains 6 parts. To reduce confusion, Staff refers simply to MEC Ex. 1.0 for the entire plan with the exception of Part 2 in which case Staff refers to it as MEC Ex. 1.0 Part 2 of 6 in order to reduce confusion with the unusual page numbers contained in Part 2.

[MEC Ex. 1.0 Part 1 of 6](#) (34 pages), pages 1 (TOC)-34 (Low Income)

[MEC Ex. 1.0 Part 2 of 6](#) (26 pages), pages 1 (Residential Behavioral)-26 (Nonresidential Equipment)

[MEC Ex. 1.0 Part 3 of 6](#) (35 pages), pages 60 (Commercial Assessment)-94 (Nonresidential Load Management)

[MEC Ex. 1.0 Part 4 of 6](#) (30 pages), pages 95 (Appliance Recycling)-124 (Accounting Plan)

[MEC Ex. 1.0 Part 5 of 6](#) (168 pages), pages 125 (Appendix A, Residential Equipment)-292 (Appendix A, Commercial Assessment)

[MEC Ex. 1.0 Part 6 of 6](#) (64 pages), pages 293 (Appendix A, Commercial Assessment)-356 (Appendix C, Electric Eligible Participants)

61 **C. PURPOSE OF TESTIMONY**

62 **Q. What is the purpose of your direct testimony?**

63 A. The purpose of my testimony is to present the results of my review of the
64 Company's filing including whether it is consistent with the Commission's Order
65 in Docket No. 12-0132. Pursuant to Section 8-408(d) of the Act, the Commission
66 conducted a thorough review and evaluation of MidAmerican's pilot EE programs
67 implemented during Plan 1.² Based on this review, the Commission ordered the
68 Company to comply with certain provisions on a going forward basis in its
69 implementation of energy efficiency programs in order to benefit ratepayers. The
70 provisions generally relate to ensuring the measures, programs, and the entire
71 portfolio are cost-effective for Illinois ratepayers using net energy savings.
72 MidAmerican Energy Co., ICC Order Docket No. 12-0132, at 16-18 (Oct. 17,
73 2012) ("12-0132 Order").

74 **Q. Do you address every issue raised by the Company in its filing?**

75 A. No, due to the breadth of the EE Plan as filed. I attempted to address the most
76 important issues. My silence on an issue or failure to address any statement or
77 position offered by the Company in this proceeding should not be construed as
78 either an endorsement or a criticism of that statement or position.

² MidAmerican's 2008-2012 EE Plan 1 was approved by the Commission in Docket Nos. 08-0107/08-0108 (Consol.) on May 21, 2008. Some of MidAmerican's EE programs were granted a one-year extension for the 2013 transitional year in Docket No. 12-0132.

D. ATTACHMENTS

Q. Are you sponsoring any attachments with your testimony?

A. Yes. Staff Ex. 1.1 contains MidAmerican Responses to certain Staff Data ("DR") Requests. Staff Exs. 1.2, 1.3, 1.4, and 1.5 contain the most recent evaluations of MidAmerican's energy efficiency programs.

II. OVERVIEW OF THE REQUIREMENTS OF THE PLAN

Q. What are the requirements of MidAmerican's Plan?

A. Pursuant to Section 8-408(d) of the Act, the Commission ordered the Company to comply with certain provisions on a going forward basis in its implementation of energy efficiency programs in order to benefit ratepayers in Illinois. The provisions generally relate to ensuring the measures, programs, and the entire portfolio are cost-effective for Illinois ratepayers using net energy savings. 12-0132 Order at 16-18. The provisions from the Commission's Order are presented below:

(1) MidAmerican should file, by July 1, 2013 a new energy efficiency plan to be in place by January 1, 2014, which should only include measures shown to be cost-effective for Illinois ratepayers and consistent with the discussion contained herein, unless extenuating circumstances are shown that would argue for inclusion of such measures or programs.

(2) MidAmerican is directed to provide Illinois specific information of the projected cost-effectiveness of the new energy efficiency programs. Also, with respect to the planned July 2013 filing, it is clear from the overall statutory scheme that smaller, multi-jurisdictional utilities are to be treated differently, and perhaps less stringently, than their larger counterparts with respect to evaluating energy efficiency programs. Bearing this in mind, the Commission cannot say, based on the record in this proceeding, the standard to which these programs will be held, but notes with approval that the societal test appears to be accepted by both parties. Indeed, Staff notes, in its brief on exceptions, that that MidAmerican has Illinois-specific net-to-gross ratios estimated through

evaluation (MEC Revised Ex. 2.2³), and recommends that MidAmerican present societal test cost-effectiveness estimates based on net savings in future plan filings. The Commission adopts this recommendation.

(3) MidAmerican will investigate potential ways to improve the cost-effectiveness of its existing programs, including changes that may be suggested by its program evaluator.⁴

(4) Staff's codes and standards recommendation is reasonable and uncontested and is adopted.

(5) Staff's concerns regarding transparency for evaluation purposes regarding CFLs are similarly adopted.

12-0132 Order at 16-18. MidAmerican's filed Plan fully complies with item (5) above. I make recommendations herein to help ensure full compliance with these requirements set forth by the Commission.

Q. Do you recommend the Commission approve MidAmerican's Plan?

A. Yes, subject to certain provisions as discussed herein. MidAmerican's Plan appears to be reasonably developed, is mostly consistent with the Commission's 12-0132 Order, and I recommend the Commission approve it. For the programs proposed in the Plan, MidAmerican has requested flexibility to adjust incentive levels and spending for a variety of reasons including as market conditions change. (MEC Ex. 1.0, at 10, 15, 23.) Thus, rather than focus on the details of each program presented in the Plan, as the Plan itself indicates these details are subject to change, my testimony focuses on the policy issues surrounding such changes so as to ensure that (1) the Plan fully complies with the requirements set forth in the Commission's 12-0132 Order, and (2) that necessary changes

³ See Staff Ex. 1.2.

⁴ See Staff Exs. 1.2 and 1.3.

actually take place, benefit ratepayers, and are appropriately reported to the Commission.

III. COST-EFFECTIVENESS REQUIREMENT

Q. Are all the proposed energy efficiency measures included in MidAmerican's proposed Plan cost-effective⁵?

A. No. In the Nonresidential Equipment program, MidAmerican has proposed the measure named *Lighting – LED Interior Stand.*, which MidAmerican has assumed participation of 100 units each program year. (MEC Ex. 2.4, at 2.) This proposed measure has a societal test benefit-cost ("B/C") ratio of 0.997743, and the measure is projected to provide negative net benefits to ratepayers, -\$52 based on the projected level of participation. (MEC Ex. 2.4, at 10; MEC Resp. to Staff DR JLH 1.02.) While the B/C ratio is very close to 1.0, pursuing this measure diverts ratepayer funds from cost-effective measures that otherwise would create positive net benefits for ratepayers. This proposed measure has a total resource cost ("TRC")⁶ test B/C ratio of 0.83, and the measure is projected

⁵ Except where otherwise noted, references to cost-effectiveness refer to the societal test cost-effectiveness estimates using net energy savings.

"Societal test" means an economic test used to compare the present value of the benefits to the present value of the costs over the useful life of an energy efficiency measure or program from a societal perspective. Present values are calculated using a 12-month average of the 10-year and 30-year Treasury Bond rate as the discount rate. The average shall be calculated using the most recent 12 months at the time the utility calculates its benefit/cost tests for its energy efficiency plan. Benefits are the sum of the present values of the utility avoided supply and energy costs including the effects of externalities. Costs are the sum of the present values of utility program costs (excluding customer incentives), participant costs, and any increased utility supply costs for each year of the useful life of the measure or program. The calculation of utility avoided capacity and energy and increased utility supply costs must use the utility costing periods.

12-0132 Order at 7.

⁶ There are two differences between the societal test and the TRC test in MidAmerican's calculations: (1) the discount rate used in the societal test is 2.40%, while MidAmerican's weighted average cost of capital ("WACC") is used for the TRC test in order to present value the multi-year streams of program costs and benefits; and (2) the societal test includes a 10% externality adder to electric avoided costs

to provide negative net benefits to ratepayers, -\$1,959 based on the projected level of participation. (MEC Resp. to Staff DR JLH 1.02.) If actual participation exceeds the projected level of participation for this measure upon implementation, then the net loss to ratepayers would increase under the societal test and the TRC test. In the Commission's 12-0132 Order, the Commission ordered that MEC's Plan filing "should only include measures shown to be cost-effective for Illinois ratepayers ... unless extenuating circumstances are shown that would argue for inclusion of such measures or programs." 12-0132 Order at 17-18. In order to ensure full compliance with the Commission's 12-0132 Order, I recommend MidAmerican include a discussion in its rebuttal testimony of the extenuating circumstances that would justify inclusion of this cost-ineffective measure in the Plan.

Q. Are all the energy efficiency programs included in MidAmerican's proposed Plan cost-effective?

A. Yes, based on the assumptions used in MidAmerican's cost-effectiveness analysis, all the proposed programs are projected to be cost-effective and projected to provide net economic benefits to Illinois customers. Table 1 below provides the societal test cost-effectiveness results for each program.

and a 7.5% adder to gas avoided costs, while MidAmerican's TRC test calculations exclude these adders.

Table 1. MidAmerican's Cost-Effectiveness Results Using Net Savings

Program	Societal Test Benefit-Cost Ratio
Residential Equipment	1.45
Residential Assessment	2.53
Residential Behavioral	1.58
Residential Load Management	9.47
Residential HVAC Tune Up	1.21
Residential Appliance Recycling	1.44
Upstream Retail Lighting	1.53
Residential Low Income	2.31
Nonresidential Equipment	3.46
Commercial Assessment	1.64
Commercial New Construction	1.80
Nonresidential Energy Analysis	1.83
Nonresidential Load Management	25.23
Nonresidential Appliance Recycling	1.59

Source: MEC Ex. 2.5.

Q. Did MidAmerican evaluate cost-effectiveness of the proposed energy efficiency programs using net savings⁷?

A. Yes. However, for EE programs which did not have a net-to-gross ("NTG") ratio estimated specifically for MidAmerican's Illinois EE program, MidAmerican simply assumed a NTG ratio of 1.0. I do not believe that to be a reasonable estimate, especially since Illinois-specific evaluations with estimated NTG ratios are available and Iowa-specific evaluations with estimated NTG ratios are available for comparable programs (e.g., Appliance Recycling program). (See Staff Ex. 1.5, at 6-10 (193); Staff Exs. 1.2-1.4.) In the Commission's 12-0132 Order, the Commission adopted Staff's recommendation "that MidAmerican present societal test cost-effectiveness estimates based on net savings in future plan filings." 12-

⁷ Net savings is energy savings attributable to the energy efficiency program.

0132 Order at 17. In order to ensure full compliance with the Commission's 12-0132 Order, I recommend the Company either revise its net savings goals in its rebuttal testimony based on revised NTG ratios which are based on the best available information or keep the original net savings goals and agree to report program information to the Commission using revised NTG ratios reflective of evaluation findings.

Q. Is MidAmerican's proposed Plan cost-effective?

A. Yes. The entire portfolio (using net savings) has a total resource cost ("TRC") benefit-cost ratio of 1.33 and it is projected to provide net economic benefits of \$21,196,804 (electric=\$20,987,265; gas=\$209,540). (MEC Ex. 2.0, at 9; MEC Ex. 2.5, at 49.) Thus, the total benefits in terms of avoided energy and capacity costs realized by the utility and its customers are projected to outweigh the total cost of achieving those benefits. The entire portfolio (using net savings) has a societal test benefit-cost ratio of 1.85 and it is projected to provide net economic benefits of \$60,389,442 (electric=\$51,214,282; gas=\$9,175,160). (MEC Ex. 2.0, at 9; MEC Ex. 2.5, at 49.) The total benefits in terms of avoided energy and capacity costs realized by the utility, and its customers are projected to outweigh the total cost of achieving those benefits once externalities and the specific societal test discount rate are considered.

Q. Do you have any recommendations concerning cost-effectiveness?

A. Yes. I recommend MidAmerican provide net ex post cost-effectiveness results in its annual report when an impact evaluation is available. If measures currently projected to be cost-effective are impacted by a baseline change due to a

change in energy codes, market transformation (e.g., standard market practice), or other change and no longer screen as cost-effective on a prospective basis, the measures should be discontinued. Given the flexibility MidAmerican has requested, MidAmerican has the responsibility to act prudently based on new information as it becomes available over the life of the five-year Plan. In order to help ensure that ratepayers receive the net benefits they are paying for as well as to ensure full compliance with the Commission's 12-0132 Order, I recommend the Commission direct the Company not to add cost-ineffective measures after Commission approval of the Plan or continue approved measures found to be cost-ineffective. A Commission directive concerning this is necessary because of concerns regarding MidAmerican adding cost-ineffective measures to the Residential Equipment program⁸ in order to improve the Company's image for upcoming rate cases.⁹ (See Staff Ex. 1.1, at 2-3, MEC Resp. to Staff DR JLH 1.01 Attach. H.)

Q. Do you support MEC's request for flexibility?

A. Yes, to ensure the net benefits forecasted at \$80 million materialize, MidAmerican should have the flexibility to modify, add, and/or discontinue EE programs in order to maximize net benefits. (MEC Ex. 1.0, at 9.) When adding new measures to the energy efficiency programs that are not included in the Plan, I recommend that MidAmerican screen the measures for cost-effectiveness

⁸ The Residential Equipment program was one of the two programs found to be cost-ineffective in Illinois during implementation of MidAmerican's first EE Plan. The Commission only approved the Residential Equipment program's continued operation into 2013 on the basis that MidAmerican had to remove the cost-ineffective measures from the program. 12-0132 Order at 17.

⁹ "Retain ENERGY STAR refrigerators, freezers and washing machines in the program without restrictions, even though they are not cost effective. This supports the EE message the Company will want to share with customers in response to upcoming rate cases." (Staff Ex. 1.1, at 2.)

using updated avoided costs that are available at that time. The new measures and their cost-effectiveness results can be described in MidAmerican's annual report filed in this closed Plan docket. If avoided costs change by more than 15% during implementation over the five years of the Plan, MidAmerican should perform an updated screening of energy efficiency programs and measures to consider whether program changes or plan modification are warranted.

IV. ENERGY SAVINGS GOALS AND BUDGETS

Q. What are the Company's proposed energy savings goals?

A. The Company's kilowatt-hour ("kWh") savings goals range from 0.81% to 0.96% of projected energy delivered. The Company's therm savings goals range from 0.40% to 0.58% of projected energy delivered. The energy savings values are set forth in Table 2 below.

Table 2. MidAmerican's Incremental Net Energy Savings Targets

	2014	2015	2016	2017	2018
Electric Budget	\$7,460,123	\$8,649,148	\$9,778,201	\$9,949,295	\$10,055,125
Net kWh Savings	20,094,769	19,887,655	19,343,101	17,938,725	17,501,741
kWh Savings Target*	0.96%	0.93%	0.90%	0.83%	0.81%
Cost per 1st Year Net kWh (\$/kWh)	\$0.37	\$0.43	\$0.51	\$0.55	\$0.57
Gas Budget	\$4,336,572	\$4,577,951	\$4,855,669	\$4,550,519	\$4,671,206
Net Therms Savings	592,449	589,324	499,173	428,806	411,375
Therms Savings Target*	0.58%	0.57%	0.49%	0.42%	0.40%
Cost per 1st Year Net Therm (\$/Therm)	\$7.32	\$7.77	\$9.73	\$10.61	\$11.36

Sources: MEC Ex. 1.0, at 8; MEC Ex. 2.2, at 1, 3; MEC Ex. 2.5, at 49.

*Savings Target=Projected Net Savings as a % of Energy Sales Forecast

Q. What is the monthly impact to customers for MidAmerican to achieve the energy savings goals?

A. For 2014, MidAmerican's proposed budgets translate to an average monthly bill impact for residential customers of \$2.91 (electric) and \$3.80 (gas), or \$6.71 for combination customers taking both electric and gas service from MidAmerican. For 2014, MidAmerican's proposed budgets translate to an average monthly bill impact for non-residential customers of \$43.34 (electric) and \$25.76 (gas), or \$69.10 for MidAmerican's combination customers. (MEC Ex. 2.6, at 2.)

V. EVALUATION AND REPORTING

Q. Please describe MidAmerican's proposed evaluation, monitoring, and verification ("EM&V") plan.

A. MidAmerican proposes to contract with an independent evaluator. The Plan states:

MidAmerican will contract with an independent third-party energy efficiency program evaluator to conduct ongoing analyses of MidAmerican's energy efficiency portfolio across all states it serves. MidAmerican will review with Illinois Commerce Commission staff any requests for proposals to be issued to obtain the services of the third-party evaluator. The analyses provided by the evaluator will consist of both a process review and an impact review of each of MidAmerican's energy efficiency programs. A full analysis of each program will be conducted at least once during the 2014-2018 energy efficiency plans. New programs and programs with major changes will be evaluated within one year after those new programs or changes have been fully implemented. The contracting process will begin no later than six months after the beginning of the plan.

Process Review

The primary goals of the process reviews will be to provide actionable recommendations to MidAmerican to improve the design and implementation of its energy efficiency programs and to develop a best in class evaluation infrastructure for MidAmerican's energy efficiency programs.

271 Process evaluations will be systematic and transparent.

272 (MEC Ex. 1.0, at 118.)

273 The Plan states:

274 Impact evaluations will be systematic and transparent. The goals of
275 the impact reviews will be to:

- 276 • Verify gross ex-ante savings
- 277 • Estimate net savings

278

279 In addition, the impact verification will include a shelf survey to retailers
280 to determine available measure stock and exit interviews with
281 customers of retailers including information about purchases made,
282 choices considered and factors determining choice.

283

284 The results of these analyses will yield realization rates by program
285 and measure within each program that can be used to estimate gross
286 ex-post savings both proactively and on a forward-looking basis.

287 (MEC Ex. 1.0, at 119.)

288 **Q. Do you support MidAmerican's proposed EM&V plan?**

289 A. Yes, I recommend the Commission direct MidAmerican to comply with the EM&V
290 plan as filed subject to two additional requirements described here. First, I
291 believe the process put in place informally between MidAmerican and Staff
292 worked well for the last evaluations and it should be formalized through a
293 Commission directive to continue this process. Staff was invited to the routine
294 evaluation update calls and received draft evaluation results at the same time as
295 the Company. This process helps ensure some degree of independence in the
296 evaluation findings.

297 Second, I recommend a baseline study be performed to inform what the
298 baseline for certain energy efficiency measures should be for the purpose of cost-

effectiveness screening and measure offerings in MidAmerican's energy efficiency programs. MidAmerican's most recent evaluations recommended a baseline study be performed to determine what the standard market practice is for certain technologies in MidAmerican's service territory as there were a number of indications that the market for certain energy efficiency measures has been transformed, and thus "the program is unnecessarily rebating certain efficiency levels." (Staff Ex. 1.3, at 6-12 (42); See also Staff Ex. 1.2, at 51-52; Staff Ex. 1.3, at 6-13 (43).)

Q. Please describe the reporting proposed in the Plan.

A. MidAmerican addresses reporting to the Commission on page 120 of its Plan, which states:

MidAmerican will conduct analyses of its programs on an annual basis and will report annual results to the Commission. Annual reports will provide the following information:

- Energy and demand electric and gas savings by program and measure within each program on the following bases:
 - o Gross ex-ante
 - o Gross ex-post (where information is available from impact reviews)
 - o Net savings (where net-to-gross information is available from impact reviews)
- Comparisons of gross ex-ante savings to plan goals
- Estimated program lifetime savings
- Spending by program and measure within each program
- Comparisons of spending to plan goals
- Cost-effectiveness calculations by program based on the Societal Cost, the Total Resource Cost, the Utility, the Ratepayer Impact and the Participant tests on a gross and net basis.
- Load shapes and avoided costs used in the cost-effectiveness analyses will be consistent with those used in the development of this plan.
- Measure lives and incremental costs will be consistent with information in the measure fact sheets provided in this plan.
- Calculations will be conducted on a gross ex-ante basis.

• Cost-effectiveness calculations by measure within each program based on the Societal Cost test
MidAmerican will also communicate informally with Commission staff in the event that any changes to the operational details of the programs are needed.

(MEC Ex. 1.0, at 120.)

Q. Do you support MidAmerican's proposed reporting requirements?

A. Yes. I recommend the Commission order the Company to follow the reporting requirements set forth in the Plan and include the additional information recommended earlier in this testimony and the additional recommendations set forth below.

Q. Do you have any recommendations for additional information contained in MidAmerican's annual reports to the Commission?

A. Yes. Other than the additional information recommended earlier in this testimony, I also recommend the Commission direct MidAmerican to provide the following information in the annual reports:

- (1) Explanations of changes expected to take effect going forward, including the addition or discontinuation of specific measures and programs.
- (2) Discussion of market transformation and changes in standard practice and energy codes for the energy efficiency measures. Any reanalysis of the programs and how MidAmerican responds to changes in standards and other information should be included.
- (3) Comparison to the net energy savings goals outlined earlier in this testimony should be included.
- (4) MidAmerican's response to evaluator recommendations and attach copies of any new evaluations to the annual report.

Accordingly, I recommend the Commission order MidAmerican to include the additional information requested herein in the annual reports along with the information set forth in the Plan.

VI. WAIVER REQUEST

Q. Please summarize MEC's waiver request.

A. The Company filed a "waiver of 83 Ill. Admin. Code Sections 410.210(a)(3)(E) and 500.330(a)(1)(B)(v) to continue to allow MidAmerican's energy efficiency rider amounts to be added to the delivery charge on customer bills, rather than having the rider amounts appear as separate line items." (MEC Waiver Petition, at 1.)

Section 410.210, Information to Customers [Electric Utilities and ARES] states:

a) Bills rendered to retail customers for service shall clearly show at least the following:

....
3) The total amount of the bill and, when applicable, the following portions that make it up, listed vertically for easy readability:

....
E) any other applicable adjustments (other charges not under categories of charges but relating to services, energy, or other programs provided to customers by the entity);

83 Ill. Admin. Code Section 410.210(a)(3)(E).

Section 500.330, Information to Customers [Gas Utilities] states:

a)
1) Except as hereinafter set forth, bills rendered to customers for metered service shall clearly show at least the following:

....
B) The total amount of the bill and those portions that make it up, listed vertically for easy readability:

389
390 v) any other applicable adjustments (other charges not under
391 categories [sic] of charges but relating to services, energy, or other
392 programs provided to customers by the utility);

393 83 Ill. Admin. Code Section 500.330(a)(1)(B)(v).

394 **Q. What is the basis of MidAmerican's waiver request?**

395 A. MidAmerican provides the following reasons:

- 396 (1) The Commission waived this requirement in the past for MidAmerican's pilot
397 energy efficiency programs in Docket Nos. 08-0107/08-0108 (Consol.).
398
399 (2) Section 8-408 of the Act does not explicitly require the energy efficiency rider
400 amount to be a separate line item.
401
402 (3) MidAmerican's belief that customers may not participate in the energy efficiency
403 programs if there is a separate line item charge because this could "cloud" their
404 judgment.
405
406 (4) MidAmerican's belief that customers may react negatively to seeing the charge
407 on their bills.
408
409 (5) Customer satisfaction surveys associated with MidAmerican indicate that
410 MidAmerican's energy efficiency program offerings are a positive element.
411
412 (6) To show the energy efficiency cost recovery as a line item on the bill after
413 programs have been in place for five years would serve no useful purpose and
414 would likely lead to customer confusion.
415 (MEC Waiver Petition.)

416 **Q. Do you support MidAmerican's waiver request?**

417 A. No.

418 **Q. Please explain why the Commission should deny MEC's waiver request.**

419 A. I respond to each item that forms the basis of MidAmerican's waiver request in
420 turn below.

(1) A one-time Commission granting of a waiver of this requirement in the past for the initiation of MidAmerican's pilot energy efficiency programs in Docket Nos. 08-0107/08-0108 (Consol.) is an insufficient reason to justify a Commission waiver in this docket. The Commission has approved numerous energy efficiency plans since the Commission granted that waiver to MidAmerican and all the other energy efficiency plans approved in Illinois since that time include an energy efficiency line item charge on customers' bills. Those plans have resulted in substantial (greater than MidAmerican) participation¹⁰ without the perhaps dubious benefit of obscuring the cost of the EE program from its customers.

(2) Section 8-408 of the Act neither explicitly requires nor explicitly prohibits the energy efficiency rider amount to be a separate line item charge on customers' bills. Other statutes in Illinois (e.g., 220 ILCS 5/8-103; 220 ILCS 5/8-104) concerning energy efficiency also do not explicitly require energy efficiency rider amounts to be a separate line item, yet the Commission has approved the energy efficiency rider amounts as a separate line item on customers' bills for all the other Illinois utilities. Further, Commission Administrative Rules specifically require the energy efficiency rider amount to be a separate line item. See e.g., 83 Ill. Admin. Code Section 410.210(a)(3)(E); 83 Ill. Admin. Code Section 500.330(a)(1)(B)(v).

(3) MidAmerican's Petition states that customers may not participate in the energy efficiency programs if there is a separate line item charge because this could

¹⁰ For example, the Commission approved an energy savings goal of 1% of forecasted kWh energy deliveries for ComEd in Docket No. 10-0570, while MidAmerican's current proposal consists of energy savings goals which are all less than 1% of forecasted energy deliveries (See Table 2).

443 “cloud” their judgment. In response to a data request, MidAmerican clarified
444 that it is hopeful that showing energy efficiency costs as a separate line item on
445 the bill would not reduce customer support for and participation in its energy
446 efficiency programs, but it does believe there is some risk that it would. (Staff
447 Ex. 1.1, at 18, MEC Resp. to Staff DR JLH 1.07.) Contrary to MidAmerican’s
448 concerns, I believe a monthly reminder of the energy efficiency programs on
449 customers’ bills may in fact raise customer participation in the energy efficiency
450 programs. The line item energy efficiency charge will increase program
451 awareness and ultimately participation in the EE programs. MidAmerican’s
452 customers have even indicated that EE program awareness is lacking. (Staff
453 Ex. 1.5, at 6-23 (206).) Currently, MidAmerican is only planning to advertise the
454 energy efficiency website quarterly on customer bills. (MEC Ex. 1.0, at 16.)
455 Having a line item charge on customers’ monthly bills could significantly
456 increase customer awareness and participation in the EE programs. Price is a
457 very effective communicator and setting forth the EE amounts on customers’
458 bills would directly communicate with customers what they are paying and what
459 it is for. If customers are explicitly told what they are paying for energy
460 efficiency, they may become more interested in participating in the EE
461 programs. If they find out what they are paying for it, they may try to get as
462 much out of it as they can by participating in the various EE program offerings.

463 (4) MidAmerican believes customers may react negatively to seeing the charge on
464 their bills. I believe that negative reaction can be mitigated by proactively
465 explaining the basis for the separate charge. MidAmerican has previously

included such explanations in customer bills related to new line item charges.
(Staff Ex. 1.1, at 13, 15, MEC Resp. to Staff DR JLH 1.04.)

(5) Customer satisfaction surveys associated with MidAmerican indicate that MidAmerican's energy efficiency program offerings are a positive element. It should be noted that MidAmerican's energy efficiency program offerings will continue even with the addition of a separate line item charge on customer bills. It is inappropriate to hide from customers the charges for energy efficiency that they are paying. A customer should be able to look at the bill and determine both the rate and the dollars that they are paying to MidAmerican for energy efficiency, as well as other relevant components of their bill.

(6) MidAmerican believes that to show the energy efficiency cost recovery as a line item on the bill after programs have been in place for five years would serve no useful purpose and would likely lead to customer confusion. It should be noted that confusion can only occur if customers were oblivious to the fact that they have been paying for these EE programs all along. Now that some of MidAmerican's Illinois customers are aware of the benefits of energy efficiency, and some experienced benefits directly through participation in the EE programs, customers should be able, like other Illinois utility customers, to handle the truth: the benefits of EE are not costless. However, customer confusion caused by the revelation that energy efficiency is not free can be minimized through customer education. MidAmerican could simply include a brochure or insert in customers' bills explaining the change. Indeed, some of MidAmerican's EE programs were advertised in the rate change brochure in

489 April-May 2010 and April-May 2012. (Staff Ex. 1.1, at 12-14, MEC Resp. to Staff
490 DR JLH 1.04 Attach. B, JLH 1.04 Attach. C.) One of the rate changes explained
491 in that brochure was a new line item charge, which is the same type of charge
492 at issue in this case. (Staff Ex. 1.1, at 13-15.) It would be beneficial to advertise
493 the new energy efficiency programs as well in such brochure in order to
494 generate widespread awareness upon kick-off of the new programs. In addition
495 to explaining the reason for the new charge appearing on the bill, this would be
496 an opportunity to encourage those customers who have not taken advantage of
497 MidAmerican's EE programs to become more interested in doing so. When a
498 customer realizes that they are paying for something, the motivation to
499 participate is stronger.

500 Further, MidAmerican and I both agree that showing the EE rider amount as a
501 separate line item on customer bills would make the amount being charged for
502 energy efficiency programs transparent to customers. (Staff Ex. 1.1, at 16, MEC
503 Resp. to Staff DR JLH 1.05.) However, MidAmerican contends that customers
504 would not appreciate or find much use in such transparency. I disagree.
505 MidAmerican states:

506 While showing the energy efficiency rider as a separate line item on
507 customer bills would make the amount per kWh or therm a customer is
508 being charged for support of energy efficiency programs "transparent,"
509 MidAmerican is skeptical that such "transparency" serves a useful
510 purpose. This element of the customer bill would remain the same
511 whether a customer takes competitive service from a RES or bundled
512 service from the utility, so there is no competitive reason to highlight
513 this element of the customer's bill. It would increase "transparency" if
514 any number of utility costs were shown separately on customer bills,
515 but that doesn't mean it is a good idea. It would certainly be more
516 "transparent" to inform customers how much they pay for customer
517 service, services lines, distribution lines, substations, other taxes,

518 income taxes, regulatory costs, etc., but it would likely not add to
519 customer understanding. In fact, our customers have told us they
520 prefer their bills to be more simplified, not more complicated.
521 MidAmerican sees no reason energy efficiency program costs should
522 be treated differently from other utility expenses, and is concerned that
523 those who seek to single them out for different treatment may be
524 attempting to undermine public support for energy efficiency programs.

525 (Staff Ex. 1.1, at 16, MEC Resp. to Staff DR JLH 1.05.) It should be noted that
526 informing customers of how much they pay for distribution lines and substations is
527 not analogous to informing customers of what they pay for energy efficiency.
528 Customers can increase participation in energy efficiency programs and reap direct
529 benefits from the energy efficiency programs based on that participation. Telling
530 customers what they are paying for, and informing them of the opportunities that
531 they have to participate in programs that may be beneficial to them, are important
532 parts of the communication function that monthly bills should provide. Given the
533 fact that EE programs are vastly different from the general provision of electric and
534 gas service (e.g., energy efficiency is not necessary to provide electric and gas
535 service), and provide savings directly to participating customers, it is essential that
536 the appropriate information be conveyed to customers. Electric and gas rates
537 provide price signals and it is essential that monthly bills communicate accurately
538 for energy efficiency service as well.

539 MidAmerican has provided energy efficiency programs in Illinois since 2008.
540 While MidAmerican appears satisfied with the customer participation levels to date,
541 I believe there are customers who are harder to reach that may not be getting the
542 message or participating in the energy efficiency programs. (See e.g., Staff Ex. 1.5,
543 at 6-23 (206).) The NTG ratios on the residential side in particular have suffered.

(See e.g., Staff Ex. 1.2, at 7, 9.) While this may be an indication that the efficiency levels for these measures have become standard practice in Illinois and thus should be considered the baseline for purposes of cost-effectiveness screening,¹¹ it could also be the case that the energy efficiency programs are not reaching all of the customers paying for the energy efficiency programs, rather the EE programs may primarily be reaching those customers who were already planning to purchase the high efficiency measure before hearing about MidAmerican's rebates. Showing customers what they are paying for the energy efficiency programs each month could drive new customer participation in the EE programs (e.g., customers could start participating so they feel like they are getting their money's worth from the EE programs they are funding).

Finally, MidAmerican concedes that "whether energy efficiency rider amounts appear as separate line items on the bill should not affect energy efficiency's usefulness as a tool to meet the State's energy requirements." (Staff Ex. 1.1, at 17, MEC Resp. to Staff DR JLH 1.06.) I concur. I recommend the Commission reject MidAmerican's waiver request for the reasons set forth herein.

VII. CONCLUSION

Q. Does this conclude your prepared direct testimony?

A. Yes.

¹¹ The baseline study recommended earlier in this testimony will determine this.